

Minutes of the Education Audit Appeals Panel
Monday, December 19, 2016
915 L Street, Cedar Room
Sacramento

Call to Order and Roll Call

Chair Joel Montero called the meeting to order at 1:30 p.m.

Panel members present: Joel Montero, Chief Executive Officer of the Fiscal Crisis and Management Assistance Team; Nick Schweizer, designee of the Superintendent of Public Instruction and Jennifer Whitaker, designee of the Director of the Department of Finance.

Review of Agenda

Mr. Montero read the agenda items.

Approval of Minutes

Action: The Panel members unanimously approved minutes of the November 7, 2016 meeting.

Item 1	Report of the Executive Officer 1. Summary of appeal activities 2. Appeals and Summary Review Caseload 3. Other items of interest	Information
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There were no formal appeals filed since the last meeting. After sending out the meeting materials, Ducor Union Elementary School District submitted a request to withdraw their appeal. Inglewood, appealed in June, and its formal appeal hearing is scheduled for February 2017.

Since the last meeting, no additional summary reviews have been filed. There were three determinations made. Relief was granted in the case of: Dunsmuir ESD and Upper Lake HSD. Relief was partially granted to Windsor USD, reducing the penalty to \$14,000.

In regards to the six King Chavez cases, additional data has been submitted, and determinations are currently being considered.

Item 2	Public Participation This time is reserved for any person to address the Panel. If the subject is on the Public Session Agenda, individuals may comment now or at the time the item is considered. If the subject is not on the Public Session Agenda, the Panel is not empowered to take action on it. Public comment is limited to 3 minutes per speaker; the Panel may extend the limit by a uniform amount per speaker. No comment will be taken on matters at issue in items on the Closed Session Agenda, or on any pending adjudicatory proceeding.	Information
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There were no comments from the public.

Item 3	Legislation Report Discussion and action as appropriate regarding any legislation that may affect EAAP	Information Action
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Ms. Kelly reported that there was no legislation to discuss.

Item 4	EAAP Rulemaking Calendar Approve the rulemaking calendars for 2017	Information Action
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Ms. Kelly informed the panel of the rulemaking calendars. They are forms required to be submitted to the Office of Administrative Law. Schedule A is for regulations reflecting laws enacted during 2016; which would encompass supplements to the 2016-17 Audit Guide and possibly also the annual update of the 2017-18 Audit Guide. Schedule B is for regulations following laws enacted prior to 2016, that would include the 2017-18 annual update.

Action: The Panel members unanimously approved the rulemaking calendars for 2017.

Item 5	<i>Emergency Supplemental Regulations: 2016-17 Audit Guide</i> To address issues resulting from legislative changes to the conditions of apportionment, and make non-substantive edits.	Information Action
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Mr. Morgan informed the panel of the proposed changes to be included in the supplemental 2016-17 Audit Guide. The proposed changes are as follows:

- New Section Q Mental Health Expenditures is added in compliance with the enactment of Education Code Section 14509. (Stats. 2016, ch. 835 (S.B. 884) section 1.) The new section is specific to fiscal year 2016-17, as the legislation allows the Controller to decide whether to recommend the same audit procedures in future years.
- Section S California Clean Energy Jobs Act updates the procedures to reflect the multi-year review period, the continuing requirement for final project completion reports on construction projects, and updated references to website information from the California Department of Education and the California Energy Commission. Otherwise, the substance of this audit step is unchanged. As can be seen on the Energy Commission's website, the Commission's final guidelines were revised on July 13, 2016, after the Department of Education posted the Proposition 39 K-12 Program Funding Results for fiscal year 2016-17.
- Section BB Mode of Instruction is technically amended, with respect to units of average daily attendance (ADA) reported as classroom instruction but not qualified as such, to make clear that they should be reported as non-classroom based instruction if they qualify for funding on that basis, i.e. by fully complying with the requirements reviewed under Section CC of the Audit Guide.

Action: The Panel adopted the proposed Emergency Rulemaking Regulations and approved the initiation of the rulemaking process.

Item 6	Waiver of Education Code Section 41020(f)(2) Chavan & Associates, LLP, San Jose, California	Information Action
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For the June 30, 2016 audits, Chavan & Associates rotated engagement partner responsibilities to the firm's only alternate partner. As stated in the request, this partner was unable to complete Phase III of the eight audits due to personal issues. Because the only other CPA partner has been involved in the audits for the past six years, the firm requested that Section 41020(f)(2) be waived to allow him to complete the eight audits.

Ms. Kelly reported the audits were already 90 percent completed. EAAP recommended that SCO provide a filing date extension. SCO is advocating for the panel to grant the waiver. Ms. Kelly expressed concerns over the firm potentially requesting an additional waiver for the 2017 year.

Mr. Montero asked whether, if the panel were to approve a one year waiver, it could include a notice to prevent an additional waiver for 2017. He considered the amount of work already completed and the fiscal impact on the LEAs of retaining a new CPA firm.

Mr. Morgan suggested including a notice to the previous CPA (Mr. Chavan) to avoid working with these LEAs, and observed that the statute could read to bar him until a full six years has passed.

Action: The Education Audit Appeals Panel considered and approved the request of Chavan & Associates, LLP to waive the requirements of California Education Code Section 41020(f)(2) for the audit of the fiscal year ended June 30, 2016. Although the Panel approved a waiver for the audit of the year ended June 30, 2016, Mr. Chavan would not be eligible to be the engagement partner responsible to lead, coordinate and/or review these audits for the year ended June 30, 2017.

Item 7	Next Meeting 2017 Tentative EAAP Meeting Dates January 30, 2017	Information Action
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Adjournment

Mr. Montero adjourned the meeting at 2:08 p.m.